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CHOCTAW ROAD LANDFILL

(A Joint Venture of the Washington Parish Government
and the City of Bogalusa)

General-Purpose Financial Statements and
Independent Auditor's Reports

Year Ended December 31, 2002

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date JUL 30 2003

RICHARD M. SEAL

CERTIFIED PUBLIC ACCOUNTANT • CERTIFIED GOVERNMENT FINANCIAL MANAGER

CHOCTAW ROAD LANDFILL
(A Joint Venture of the Washington Parish Government
and the City of Bogalusa)

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December 31, 2002

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RICHARD M. SEAL

CERTIFIED PUBLIC ACCOUNTANT ◊ CERTIFIED GOVERNMENT FINANCIAL MANAGER

INDEPENDENT AUDITOR'S REPORT ON THE GENERAL-PURPOSE FINANCIAL STATEMENTS

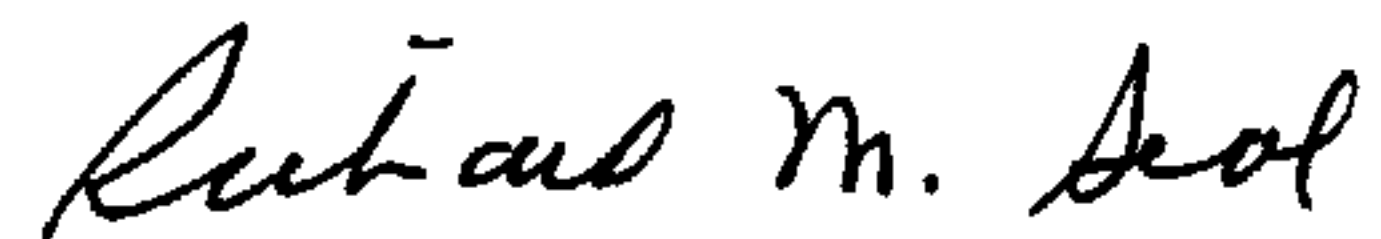
Choctaw Road Landfill
Franklinton, Louisiana

I have audited the accompanying general-purpose financial statements of the Choctaw Road Landfill, a joint venture of the Washington Parish Government and the City of Bogalusa, as of and for the year ended December 31, 2002, as listed in the table of contents. These general-purpose financial statements are the responsibility of the Choctaw Road Landfill's management. My responsibility is to express an opinion on these general-purpose financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the Choctaw Road Landfill, a joint venture of the Washington Parish Government and the City of Bogalusa, as of December 31, 2002, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued my report dated June 3, 2003 on my consideration of the Choctaw Road Landfill's internal control over financial reporting and my tests of compliance with certain provisions of laws, regulations, contracts, and grants.

A handwritten signature in black ink, reading "Richard M. Seal". The signature is written in a cursive style with a large, stylized 'R' and 'S'.

Certified Public Accountant

Bogalusa, Louisiana
June 3, 2003

CHOCTAW ROAD LANDFILL
(A Joint Venture of the Washington Parish Government
and the City of Bogalusa)

BALANCE SHEET
December 31, 2002

ASSETS

Current assets:

Tipping fees receivable	\$ 52,227	
Due from Washington Parish Government	77,150	
Due from City of Bogalusa	<u>47,003</u>	
Total current assets		176,380

Property and equipment:

Land	307,712	
Buildings	204,427	
Cells and landwork	2,559,785	
Other	<u>61,396</u>	
Total property and equipment	3,133,320	
Less accumulated depreciation	<u>(2,242,268)</u>	
Net property and equipment		<u>891,052</u>

Total Assets		<u><u>\$1,067,432</u></u>
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LIABILITIES AND PARTICIPANTS' EQUITY

Current liabilities:

Accounts payable	\$ 76,380
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Long-term obligations:

Landfill closure and postclosure care costs	<u>283,727</u>	
Total liabilities		360,107

Participants' equity:

Washington Parish Government	410,956	
City of Bogalusa	<u>296,369</u>	
		<u>707,325</u>

Total Liabilities and Participants' Equity		<u><u>\$1,067,432</u></u>
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The accompanying notes are an integral part of this statement.

CHOCTAW ROAD LANDFILL
(A Joint Venture of the Washington Parish Government
and the City of Bogalusa)

STATEMENT OF INCOME
For the Year Ended December 31, 2002

Revenue:			
Tipping fees	\$ 287,350		
Sale of assets	5,383		
Subsidies by participants —			
Washington Parish Government	315,850		
City of Bogalusa	<u>227,782</u>		
Total revenue		\$ 836,365	
Expenses:			
Landfill operations contract	509,482		
Depreciation	145,626		
Estimated current cost of landfill closure and postclosure care costs (decrease)	(5,499)		
Engineering and testing	64,617		
Salary and benefits	44,071		
Insurance	30,527		
Accounting and auditing	7,335		
Utilities	8,902		
Repairs and maintenance	6,163		
Permits	5,644		
Miscellaneous	3,845		
Conferences and travel	<u>3,739</u>		
Total expenses		<u>824,452</u>	
Net income for the year		<u>\$ 11,913</u>	

The accompanying notes are an integral part of this statement.

CHOCTAW ROAD LANDFILL
(A Joint Venture of the Washington Parish Government
and the City of Bogalusa)

STATEMENT OF PARTICIPANTS' EQUITY
For the Year Ended December 31, 2002

	Washington Parish Government, 58.1%	City of Bogalusa, 41.9%	Total, 100%
	<u> </u>	<u> </u>	<u> </u>
Balance, January 1, 2002	\$ -	\$ -	\$ -
Transfer of net fixed assets as of January 1, 2002	572,075	412,563	984,638
Transfer of closure and post closure care costs as of January 1, 2002	(168,040)	(121,186)	(289,226)
Net income for the year	<u>6,921</u>	<u>4,992</u>	<u>11,913</u>
Balance, December 31, 2002	<u><u>\$ 410,956</u></u>	<u><u>\$ 296,369</u></u>	<u><u>\$ 707,325</u></u>

The accompanying notes are an integral part of this statement.

CHOCTAW ROAD LANDFILL
(A Joint Venture of the Washington Parish Government
and the City of Bogalusa)

STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2002

CASH FLOWS FROM OPERATIONS:

Operating income (loss)	\$ 11,913
Adjustments to reconcile operating income to net cash provided by operating activities	
Depreciation	145,626
Closure and postclosure care costs	(5,499)
(Increase) decrease in:	
Accounts receivable	37,324
Due to/from participants	(141,406)
Increase (decrease) in:	
Accounts payable	<u>4,082</u>
Net cash flow provided by operating activities	<u>52,040</u>

CASH FLOWS FROM CAPITAL AND
RELATED FINANCING ACTIVITIES:

Purchase of capital assets	<u>(52,040)</u>
Net cash used by capital and related financing activities	<u>(52,040)</u>

NET INCREASE IN CASH AND CASH EQUIVALENTS -

Cash and cash equivalents at beginning of year -

CASH AND CASH EQUIVALENTS AT END OF YEAR \$ -

Choctaw Road Landfill paid \$-0- interest in 2002.

The accompanying notes are an integral part of this statement.

CHOCTAW ROAD LANDFILL
(A Joint Venture of the Washington Parish Government
and the City of Bogalusa)

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
December 31, 2002

INTRODUCTION

During 1985, the Washington Parish Government (the Parish Government) and the City of Bogalusa (the City) entered into a verbal agreement for the construction and operation of the Choctaw Road Landfill (the joint venture). The landfill was opened in July of 1989. The agreed upon percentages for sharing of construction costs, revenues, and operating costs were 58.1% for the Parish Government and 41.9% for the City. Parish Government is the "managing partner" of the joint venture.

The landfill operates on a "cell basis", that is, only a portion or "cell" of the landfill is used at a time. Certain materials and equipment used to contain the waste and monitor the environmental effect of landfill operations, such as liners and leachate collection systems, are installed before the cell is ready to receive waste in accordance with federal and state requirements. Final cover is applied to each cell once it is filled to capacity. The first and second cells have been covered, and the third cell began accepting solid waste in 1999. The present landfill site has an estimated nine cell capacity and an estimated useful life of 46.65 years.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. BASIS OF PRESENTATION

The accompanying financial statements of the Choctaw Road Landfill have been prepared in conformity with generally accepted accounting principles as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

B. REPORTING ENTITY

GASB Statement No. 14 established standards for defining and reporting on the financial entity, and established standards for reporting participation in joint ventures. It defined a joint venture as "a legal entity or other organization that results from a contractual arrangement and that is owned, operated, or governed by two or more participants as a separate and specific activity subject to joint control, in which the participants retain (a) an ongoing financial interest

CHOCTAW ROAD LANDFILL

(A Joint Venture of Washington Parish Government
and the City of Bogalusa)

Notes to the General Purpose Financial Statements (Continued).

or (b) an ongoing financial responsibility." Statement No. 14 also established that such joint ventures are stand-alone reporting entities. Therefore, the Choctaw Road Landfill has applied the provisions of Statement No. 14 as if it were a primary government.

C. FUND ACCOUNTING

The Joint Venture is organized and operated on a fund basis whereby a self-balancing set of accounts (Enterprise Fund) is maintained that comprises its assets, liabilities, fund equity, revenues, and expenses. The operations are financed and operated in a manner similar to a private business enterprise, where the intent of the governing body is that the cost (expenses, including depreciation) of providing services on a continuing basis be financed or, recovered primarily through user charges and subsidies by the participants.

D. BASIS OF ACCOUNTING

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The Enterprise Fund is accounted for on a flow of economic resources measurement focus and a determination of net income and capital maintenance. With this measurement focus, all assets and all liabilities associated with the operation of this fund are included on the balance sheet. The Enterprise Fund uses the accrual basis of accounting. Revenues are recognized when earned, and expenses are recognized at the time liabilities are incurred. The Enterprise Fund uses the following practices in recording certain revenues and expenses:

Revenues - Tipping fees (landfill use fees) are recorded as revenue when earned. Participants' subsidies are recorded as revenue when billed.

Expenditures - All operating expenses, except depreciation and the current cost for closure and postclosure care, are recorded when they are incurred. Depreciation and the current cost for closure and postclosure are recorded at year-end.

E. CASH AND CASH EQUIVALENTS

Cash includes amounts in demand deposits, interest-bearing demand deposits, and money market accounts. Cash equivalents include amounts in time deposits and those investments with original maturities of 90 days or less.

CHOCTAW ROAD LANDFILL

(A Joint Venture of Washington Parish Government
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Notes to the General Purpose Financial Statements (Continued).

Under state law, the Joint Venture may deposit funds in demand deposits, interest-bearing demand deposits, money market accounts, or time deposits with state banks organized under Louisiana law and national banks having their principal offices in Louisiana.

F. FIXED ASSETS

Fixed assets are included on the balance sheet at cost, and are generally depreciated over their useful life, using the straight line method. However, capital assets that are used exclusively for the landfill and that are excluded from the calculation of the estimated total current costs of closure and postclosure care are depreciated at a rate to be fully depreciated by the time that the landfill stops accepting solid waste. Capitalized facilities and equipment installed or constructed for a single cell are depreciated over the estimated useful life of that cell.

G. CURRENT COST OF CLOSURE AND POSTCLOSURE CARE

The estimated total current cost of the landfill is recognized as an expense and as a liability in each period that the landfill accepts solid waste. The current-period amount was based on the following formula:

$$\frac{\begin{array}{l} \text{Estimated total current} \\ \text{Cost X cumulative} \\ \text{Capacity used} \end{array}}{\text{Total estimated capacity}} \quad - \quad \begin{array}{l} \text{Amount previously} \\ \text{recognized} \end{array}$$

H. COMPENSATED ABSENCES

One employee of the Washington Parish Government has been assigned to the Choctaw Road Landfill. The joint venture has no employees, and no liability for compensated absences.

I. RISK MANAGEMENT

The Joint Venture is exposed to various risks of loss related to torts: theft of, damage to, and destruction of assets: errors and omissions: injuries to employees: and natural disasters. The Joint Venture manages these losses through the purchase of commercial insurance.

CHOCTAW ROAD LANDFILL
(A Joint Venture of Washington Parish Government
and the City of Bogalusa)
Notes to the General Purpose Financial Statements (Continued).

J. USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles includes the use of estimates that affect the financial statements. Accordingly, actual results could differ from those estimates.

NOTE 2 - CHANGE OF ACCOUNTING METHOD

On January 1, 2002, the Joint Venture changed from the modified accrual basis of accounting (Governmental Fund) to the accrual basis of accounting (Enterprise Fund) and each participant transferred certain assets and liabilities to the joint venture which changed participants' equity as follows:

Transfer of fixed assets as of January 1, 2002 from participants' books to joint venture books, net of accumulated depreciation of \$2,096,642	\$ 984,638
Transfer liability for landfill closure and postclosure care costs as of January 1, 2002	<u>(289,226)</u>
Increase in participants' equity	<u>\$ 695,412</u>

This change also decreased income for 2002 by \$88,087 as follows:

Capitalization of capital outlay expense	\$ (52,040)
Depreciation expense	145,626
Estimated current cost of landfill closure and postclosure care costs (decrease)	<u>(5,499)</u>
Decrease in income for 2002	<u>\$ 88,087</u>

CHOCTAW ROAD LANDFILL

(A Joint Venture of Washington Parish Government
and the City of Bogalusa)

Notes to the General Purpose Financial Statements (Continued).

NOTE 3 - CLOSURE AND POSTCLOSURE CARE COSTS

Louisiana and federal laws and regulations require the Joint Venture to place a final cover on the landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. The total estimated closure and postclosure care costs as of December 31, 2002 was estimated to be \$982,536. Actual costs may be higher due to inflation, changes in technology, or changes in regulations. The Joint Venture expects to close the landfill in the year 2035.

Although closure and postclosure care costs will be paid only near or after the date that the landfill stops accepting waste, the Joint Venture reports a portion of these closure and postclosure care costs as an operating expense in each period based on landfill capacity use as of each balance sheet date. The \$283,727 reported as landfill closure and postclosure care liability at December 31, 2002, represents the cumulative amount reported to date based on the use of 29% of the estimated capacity of the landfill.

NOTE 4 - FINANCIAL ASSURANCE MECHANISM

To ensure that funds are available for closure and postclosure care costs, Louisiana and federal laws and regulations require that the Joint Venture have one or a combination of the following financial assurance mechanisms:

1. a trust fund,
2. a financial guarantee bond ensuring closure funding,
3. a performance bond,
4. a letter of credit,
5. an insurance policy, or
6. meet the financial test.

The Joint Venture has elected to meet the financial test assurance mechanism in the landfill permit application being prepared by the Parish Government.

NOTE 5 - PARTICIPANTS' SOURCES OF DEDICATED REVENUE

Both participants have dedicated tax revenues that are available to fund the Joint Venture.

CHOCTAW ROAD LANDFILL

(A Joint Venture of Washington Parish Government
and the City of Bogalusa)

Notes to the General Purpose Financial Statements (Continued).

Washington Parish Government receives a 0.67% sales tax imposed parishwide, excluding the City of Bogalusa, that is available to pay the costs of providing, maintaining, operating, constructing, acquiring and/or improving solid waste facilities. The sales tax is for an indefinite period, and generates annual revenue of approximately \$1,900,000.

The City of Bogalusa receives a 5-mill ad valorem tax dedicated to constructing, acquiring, improving, maintaining and/or operating landfill facilities. The tax expires in 2011, and generates annual revenue of approximately \$265,000.

NOTE 6 - LANDFILL OPERATION CONTRACT

The Parish Government and the City entered into a contract with Double C Transportation, Inc. to operate the Landfill. The contract began on June 26, 1991 and continued for approximately ten years depending on cell usage. The fee for services rendered by the contractor began at \$27,820 per month with annual adjustments to reflect fluctuations in the Consumers Price Index. Double C Transportation, Inc. changed its name to Landworks, Inc. on January 12, 1993.

On December 20, 2000, the Parish Government and the City entered into a new contract with Landworks, Inc. to operate the landfill effective June 1, 2001. The term of the contract is either, the life of Cell No. 3 or approximately ten years, whichever event occurs last.

NOTE 7 - LITIGATION AND CLAIMS

There were no pending or threatened litigation concerning the Joint Venture, nor any unasserted claims or assessments.

NOTE 8 - SUBSEQUENT EVENTS

On May 29, 2003, the Joint Venture purchased a \$100,000 certificate of deposit with Resource Bank in the name of "Washington Parish Government Choctaw Road Landfill Closure and Post Closure Care Costs". Further, the Washington Parish Council passed a resolution on April 14, 2003 to add 1/30 of the closure and post closure care costs to the \$100,000 certificate of deposit for the next 30 years, beginning in 2004.

RICHARD M. SEAL

CERTIFIED PUBLIC ACCOUNTANT ◦ CERTIFIED GOVERNMENT FINANCIAL MANAGER

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON
INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS

Choctaw Road Landfill
Franklinton, Louisiana

I have audited the financial statements of Choctaw Road Landfill, a joint venture of the Washington Parish Government and the City of Bogalusa, as of and for the year ended December 31, 2002, and have issued my report thereon dated June 3, 2003. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Choctaw Road Landfill's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

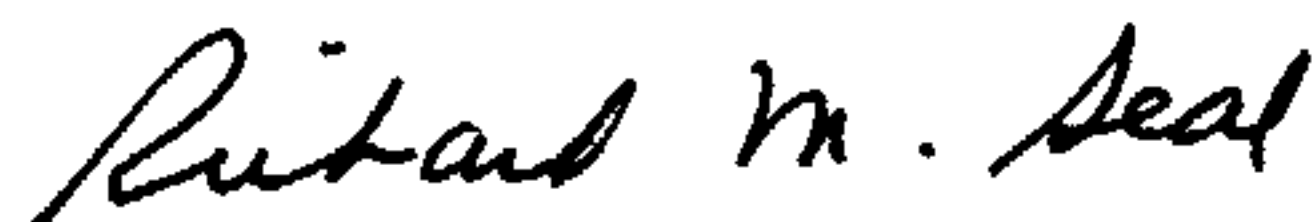
Internal Control Over Financial Reporting

In planning and performing my audit, I considered Choctaw Road Landfill's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, I noted a matter involving the internal control over financial reporting and its operation that I consider to be a reportable condition. Reportable conditions involve matters

coming to my attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in my judgement, could adversely affect Choctaw Road Landfill's ability to record, process, summarize and report financial data consistent with the assertions of management in the general-purpose financial statements. The reportable conditions is described in the accompanying schedule of findings as item 2002-1.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general-purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also described above is a material weakness. I noted no matters involving the internal control over financial reporting and its operation that I consider to be material weaknesses.

This report is intended solely for the information of Choctaw Road Landfill's management and the office of the Louisiana Legislative Auditor and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.



Certified Public Accountant

Bogalusa, Louisiana
June 3, 2003

CHOCTAW ROAD LANDFILL
(A Joint Venture of the Washington Parish Government
and the City of Bogalusa, Louisiana)

SCHEDULE OF FINDINGS
For the Year Ended December 31, 2002

I have audited the financial statements of Choctaw Road Landfill, a joint venture of the Washington Parish Government and the City of Bogalusa, Louisiana, as of and for the year ended December 31, 2002, and have issued my report thereon dated June 3, 2003. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. My audit of the financial statements as of December 31, 2002 resulted in an unqualified opinion.

Section I Summary of Auditor's Reports

a. Report on Internal Control and Compliance Material to the Financial Statements

Internal Control

Material Weaknesses ☐ Yes ☒ No Reportable Conditions ☒ Yes ☐ No

Compliance

Compliance Material to Financial Statements ☐ Yes ☒ No

Section II Financial Statements Findings

Reportable Condition

2002-1 SEPARATE CHECKING ACCOUNT

Criteria - GASB Statement No. 14 established standards for defining and reporting on the financial entity, and established standards for reporting participation in joint ventures. It defined a joint venture as "a legal entity or other organization that results from a contractual arrangement and that is owned, operated, or governed by two or more participants as a separate and specific activity subject to joint control, in which the participants retain (a) an ongoing financial interest or (b) an ongoing financial responsibility." Statement No. 14 also established that such joint ventures are stand-alone reporting entities, and are not component units.

CHOCTAW ROAD LANDFILL
(A Joint Venture of the Washington Parish Government
and the City of Bogalusa, Louisiana)

SCHEDULE OF FINDINGS
For the Year Ended December 31, 2002

Condition - Although Choctaw Road Landfill is a stand-alone entity, it does not have a checking account. It uses the Master Fund checking account of Washington Parish Government. This Master Fund is used by Washington Parish Government for most of its many funds and blended component units.

Auditor's Recommendation - Internal control would be improved if Choctaw Road Landfill had a separate checking account.

Management's Response - Management agrees. A new checking account will be opened for Choctaw Road Landfill. We hope to discontinue use of the Master Fund by October 1, 2003.

Section III Status of Prior-Year Findings

There were no prior-year findings.